

# Bold Visions for Building Financial Well-Being For All

2018 ABLE Financial Empowerment Conference

Leading the Nation in Consumer Financial Health

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MEMBERSHIP | CONSULTING | RESEARCH | INNOVATION

# About CFSI

The Center for Financial Services Innovation is an authority on consumer financial health, leading a network of financial services innovators committed to building better consumer products and practices.

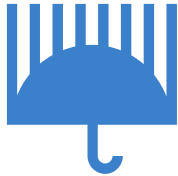


# Financial Health



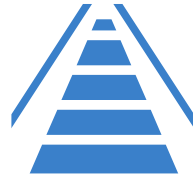
**Financial health** comes about when your daily systems help you build resilience and pursue opportunities.

## Resilience



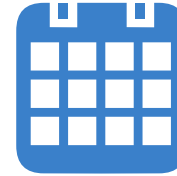
Are you prepared for the unexpected?

## Opportunity



Are you able to pursue your financial aspirations?

## Day-to-Day Management



Do your financial products support resilience and opportunity?

## Financial Health in the U.S.

43%

Healthy

57%

Not Healthy

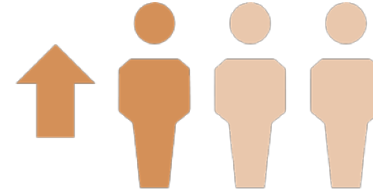
138 million people are struggling financially

# Income & Financial Health



*More than 1/3 of those in the healthy segments have annual income under \$60,000*

Healthy



*More than 1/3 of those in the unhealthy segments have annual income over \$60,000*

Not Healthy

Households that **plan ahead** to make sure they have the money to pay for **large irregular expenses**

**10x** more likely to be in a Healthy segment than those who cannot or do not

Those whose primary time frame for **saving for the future is 5 years or more**

**8x** more likely to be in a Healthy segment than those whose primary time frame is less than 5 years

Those with a **planned saving habit**

**4x** more likely to be in a Healthy segment than those who do not

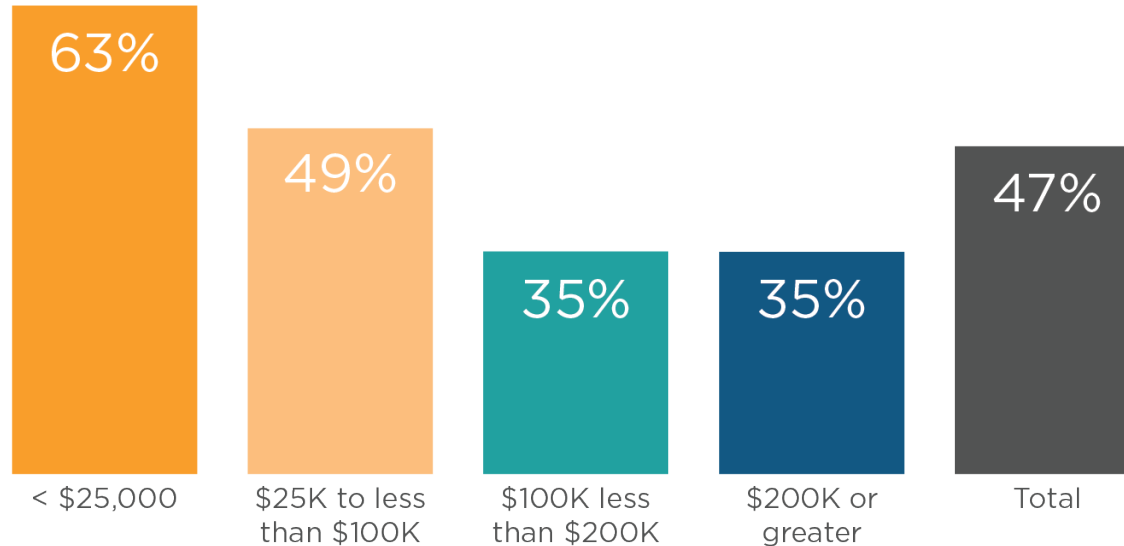
Households with **annual income** at or over \$100k

**1.4x** more likely than those < \$30k

**Implication for providers:** there is potential for FIs to impact consumer financial health, irrespective of income, by providing high-quality products and services that help customers adopt and maintain healthy behaviors.

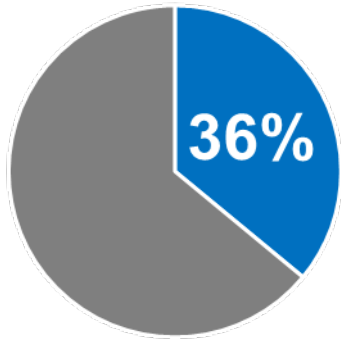
## Financial stress is a major issue across the income spectrum

Percentage agree that “Money worries cause me extreme emotional stress” by Total Household Income



# Business Case for Financial Health

While consumers want their financial service providers to help them make smart decisions to improve their financial health, few are finding what they seek:



**Only about a third of customers believe their bank is looking out for their financial well-being.**

*Customers who say their bank looks out for their financial well-being*



more likely to be **fully engaged**, leading to **better financial outcomes** for the FI



**13% higher** penetration in **credit** products & **22% higher** penetration in **investment, insurance, or advisory** products



more likely to strongly agree that their bank is the **only company they need to meet their financial needs**

# Business Case for Financial Health

» Improvement in Customer Financial Health	» Impacts Key Business Metrics	» Drives ROI at Multiple Levels
<p><b>SPEND</b></p> <ol style="list-style-type: none"><li>1. Spend less than income</li><li>2. Pay bills on time and in full</li></ol> <p><b>SAVE</b></p> <ol style="list-style-type: none"><li>3. Have sufficient liquid savings</li><li>4. Have sufficient long-term savings</li></ol> <p><b>BORROW</b></p> <ol style="list-style-type: none"><li>5. Have a sustainable debt load</li><li>6. Have a prime credit score</li></ol> <p><b>PLAN</b></p> <ol style="list-style-type: none"><li>7. Have appropriate insurance</li><li>8. Plan ahead for expenses</li></ol>	<ul style="list-style-type: none"><li>» Larger deposit balances</li><li>» Reduced delinquencies and charge-offs</li><li>» Increased cross-sales and customer lifetime value</li><li>» Higher customer satisfaction and retention</li><li>» Lower customer service costs</li><li>» Improved employee engagement and retention</li><li>» Enhanced reputational and brand value</li></ul>	<ul style="list-style-type: none"><li>» Account</li><li>» Customer/Household</li><li>» Product</li><li>» Customer segment</li><li>» Channel</li><li>» Company</li></ul>

# Financial Health Journey



1. **ORIENT**  
Understand Financial Health in America
2. **ALIGN**  
Consider Financial Health within the Context of Your Company
3. **DIAGNOSE**  
Benchmark Your Customers' Financial Health
4. **DESIGN**  
Develop Strategies to Improve Financial Health
5. **DELIVER**  
Launch Your Financial Health Strategy
6. **TRACK**  
Monitor Shifts in Your Customers' Financial Health
7. **IMPROVE**  
Evaluate Your Strategies for Greater Impact

# Financial Health Measurement

Measuring member financial health metrics alongside business metrics will enable providers to understand whether they are making a quantifiable difference in their customers' financial lives.

*If you can't measure it, you can't improve it.*

*You can't manage what you can't measure.*

You are financially healthy when you...

## **SPEND**

1. Spend less than income
2. Pay bills on time and in full

## **SAVE**

3. Have sufficient liquid savings
4. Have sufficient long-term savings or assets

## **BORROW**

5. Have a sustainable debt load
6. Have a prime credit score

## **PLAN**

7. Have appropriate insurance
8. Plan ahead for expenses

For more detail, see: [Eight Ways to Measure Financial Health](#)

# Compass Principles

The Compass Principles are guidelines that affirm the standards of excellence in the design and delivery of basic tools that people use to manage their daily financial lives.



## **Embrace Inclusion:**

Responsibly expand access

## **Build Trust:**

Develop mutually beneficial products that deliver clear and consistent value

## **Promote Success:**

Drive positive consumer behavior through smart design and communication

## **Create Opportunity:**

Provide options for upward mobility

# Compass Principles

**COMPASS PRINCIPLES**

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**Credit Product Examples**

The Compass Principles are guidelines for the U.S. financial services industry. They affirm standards of excellence in the design and delivery of basic tools that people use to manage their credit.

Below are examples of applying each of the four Principles to credit products.

**PRINCIPLE #1 – EMBRACE INCLUSION: Responsibly Expand Access**

Consumers, including those from traditionally underserved groups or communities, are creatively reached and well-served with a relevant suite of quality, affordable financial services that promote consumer choice and are provided in a safe, digitized, and convenient manner.

- Expanding the underwriting process to safely incorporate positive data not captured by traditional credit reporting.
- Creating peer groups to support safe borrowing and maximize the likelihood of repayment.
- Providing safe, affordable, small-dollar secured loans to consumers with thin or no credit files, and reporting positive repayment to the credit bureaus to help improve credit scores.
- Ensuring consumers receive the highest-quality and most affordable loan for which they qualify.

**PRINCIPLE #2 – BUILD TRUST: Develop Mutually Beneficial Products that Deliver Clear and Consistent Value**

Consumers can clearly understand and derive value, without pitfalls or unwelcome surprises, from financial products designed to align provider and consumer goals.

- Conducting an underwriting process based on a consumer's ability to repay the debt.
- Establishing repayment timing and structures that enable borrowers to repay debts without borrowing again.
- Explaining the total cost of the credit at the time of the loan application.
- Allowing reasonable grace periods to help consumers avoid late payment fees.
- Automatically transferring a small percentage of a loan disbursement into a consumer's savings account to reduce future dependence on credit.

**CFSI** Center for Financial Services Innovation

The Center for Financial Services Innovation promotes cross-sector consulting services, if desired, to help financial institutions transform the financial services industry.

**COMPASS PRINCIPLES**

**The Compass Guide to Small-Dollar Credit**

**CFSI** Center for Financial Services Innovation [www.cfsinnovation.com](http://www.cfsinnovation.com)

*The Compass Guide to Small-Dollar Credit* defines a high-quality small-dollar loan as one that:

- 1

Is made with a high confidence in the borrower's ability to repay.

✓ EMBRACE INCLUSION

✓ BUILD TRUST

✓ PROMOTE SUCCESS
- 2

Is structured to support repayment.

✓ BUILD TRUST

✓ PROMOTE SUCCESS
- 3

Is priced to align profitability for the provider with success for the borrower.

✓ BUILD TRUST

✓ PROMOTE SUCCESS
- 4

Creates opportunities for upward mobility and greater financial health.

✓ BUILD TRUST

✓ CREATE OPPORTUNITY
- 5

Has transparent marketing, communications and disclosures.

✓ BUILD TRUST

✓ PROMOTE SUCCESS
- 6

Is accessible and convenient.

✓ EMBRACE INCLUSION

✓ BUILD TRUST
- 7

Provides support and rights for borrowers.

✓ BUILD TRUST

# Examples



- EarnUp: intelligent automation of loan payments with functionality to identify saving opportunities
  - 30% of users reduce missed payments (and fees)
  - 95% of users prepay loans (saving on interest)
- Pilot with Freddie Mac: help prepare prospective home buyers for long-term success and help struggling borrowers avoid foreclosure.



- Nova and TransUnion partnered to create Global Credit Connect
- Innovative solution for obtaining international credit histories for the Newcomer to Canada market
- Improves decisioning and provides increased access to credit and other resources to immigrants

# Examples



- Financial health bankers conduct phone-based sessions with customers to help them take control of their spending, saving, and debt
- Employing behavioral economics principles to drive behavior change
- Consumer impact and business metrics supported program expansion



- Financial wellness is a centerpiece of the institution's strategy
- Launched their financial wellness program in 2014, and purchased HelloWallet in 2017
- Tracking activity and usage of HelloWallet to assess the extent to which financial wellness is improving and to inform product development

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# Thank You!

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